TITLE: Fidelity Bond Claims Administration

PURPOSE: To describe claims management procedures used to administer
                  claims covered by the FAITHFUL PERFORMANCE OF DUTY
                  BOND PLAN.

POLICY: The Division of Risk Management (DRM) shall establish, maintain
                  and administer a program of blanket surety bonding pursuant to §
                  2.2-1840 of the *Code of Virginia*. DRM is to provide surety
                  bonding for the faithful performance of duty for parties specified
                  by statute.

PROCEDURE: Claim notices and notices of potential claim are sent to the
                  Division of Risk Management (DRM) claims unit.

                  Claim technicians collect reported information, review the risk
                  management information system (Civitas) to determine whether
                  DRM previously received notification, and (a) attach the reports to
                  any previously created active files and pass to assigned claim
                  handlers, or (b) attach reports to any previously created inactive
                  files and pass to senior claim staff.

                  Senior claim staff review and give written instructions for
                  distribution on the face of paperwork received, record assignments
                  in unit log, and return paperwork to claim technicians for file set
                  up.

                  Claim technicians generate computerized records and create paper
                  files for each notice of claim or potential claim. Claim technicians
                  distribute active notices of claim to assigned staff members for
                  handling and establish incident records for inactive paperwork.
                  Inactive files are stored on site.

                  Individuals performing file related activities enter and maintain in
                  each electronic file: progress notes, a diary ("to do" list) of future
                  file activity and a complete account of all financial activities.

                  The file handler examines the reported claim in detail to determine
                  the presence or absence of coverage under the terms of the plan
                  and contacts plan member regarding coverage, if necessary.

                  File handler advises the state agency:
                  • That the agency is responsible for making reports to the
                    Auditor of Public Accounts and to the Virginia State
                    Police.

- That the agency is responsible for initiating attempts to recover the loss (including criminal prosecution and court-ordered restitution, as well as pursuit of leave balances or other benefits with monetary value).
- To secure and provide DRM with copies of the criminal charges against the employee and conviction and sentencing orders.
- To secure and provide DRM with copies of the Auditor of Public Accounts report OR the agency's internal auditor's report detailing the scope and amount of the loss.

For covered claims the file handler:
- Investigates the facts and records notes in Civitas
- Assesses exposures and establishes reserves in Civitas
- Makes internal report to DRM in the manner dictated by performance expectations
- Informs the state agency contact
- Reviews and approves related expense or indemnity payments (within level of monetary authority assigned by DRM management, obtaining endorsements if necessary)
- Provides written payment instructions to claim technicians and ensures that prompt payment requirements are met

After all claim payments have been made, the file handler directs file to claim technicians to begin collections (subrogation payments, restitution payments) by way of a file transfer note. See Receivables, below.

Files remain active until the collections process concludes.

Receivables

Claim technicians review file transfer notes and generate invoices as notes direct to parties responsible for paying DRM. Claim technicians maintain collections files on diary.

When notified by Treasury Operations that payments have been received, technicians record receivable information in Civitas. File is closed when outstanding amounts have been collected.

If payment arrangements are not made or not honored, claim technician notifies Treasury Operations to commence debt set off procedures. Claim technicians provide Treasury Operations with copies of file materials to support debt set off request.

Treasury Operations commences its debt set-off procedures. Claims accepted by debt set off process entitle DRM to collect any money the debtor may be owed by the Commonwealth. When Treasury Operations is notified that money may be available, it issues notice to the debtor that the money will be collected in thirty days. If no arrangements have been made by the debtor to make payment to DRM, Treasury Operations notifies Department of Accounts, and the money transfers to Treasury Operations.

Treasury Operations notifies the claim technician that money has been received via debt set off. The claim technician enters receivable data into Civitas and requests that Treasury Operations credit the related DRM fund. The claim technician closes the DRM file.

File closure and storage

File closes when all claim activities are complete. For litigated files, the handler updates Civitas records to show case outcome. Claim technicians send a letter to the plan member notifying of the final disposition, mark file as "closed" in Civitas, affix a sticker to the file jacket showing the year of closure, and shelve with other closed files on DRM premises. DRM keeps closed files on site for two years. To transfer closed files to archives, claim technicians enter archive information into Civitas, contact representatives of the Library of Virginia for pickup, and otherwise ensure that files are transported to the state library in keeping with agency records retention policies.